Twenty-Ninth ANNUAL REPORT to Shareholders

for 53 weeks ending
July 3, 1954

STOP & SHOP
SUPER MARKETS

STOP & SHOP, INC.

BOSTON, MASSACHUSETTS

STOP & SHOP, INC.
393 D STREET, BOSTON 10, MASS.

Officers

JOSEPH RABINOVITZ	*President*
SIDNEY R. RABB	*Chairman of the Board and Treasurer*
WALTER A. METCALF	*Vice-President*
MICHAEL F. O'CONNELL	*Vice-President*
IRVING W. RABB	*Vice-President*
NORMAN S. RABB	*Vice-President*
JACOB RABINOVITZ	*Vice-President*
LLOYD D. TARLIN	*Vice-President*
MAX E. BERNKOPF	*Clerk*
ARTHUR L. SHERIN	*Assistant Clerk*

Directors

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MAX E. BERNKOPF
A. K. COHEN
IRVING W. RABB
NORMAN S. RABB
SIDNEY R. RABB
JACOB RABINOVITZ
JOSEPH RABINOVITZ
ARTHUR L. SHERIN
SIDNEY L. SOLOMON
LLOYD D. TARLIN

Transfer Agents

THE FIRST NATIONAL BANK
OF BOSTON

Registrars of Stock

THE NATIONAL SHAWMUT BANK
OF BOSTON

Auditors

MYRON HELLER & COMPANY
BOSTON

To the Shareholders of Stop & Shop:

Stop & Shop sales were \$79,651,017 in the 53-week fiscal year ending July 3, 1954, representing a gain of \$12,859,122 or 19.3% over the previous 52-week year. This dollar increase is the largest in our history and greater than the increase of the two prior years combined.

Our net income for the fiscal year was \$802,033, or \$2.35 per share, compared with a net income last year of \$826,937, or \$2.42 per share on the shares now outstanding.

Consolidated working capital was \$5,164,050 at the year end and includes \$500,000 in U. S. Treasury obligations. Working capital will be increased \$450,000 on November 1st when we receive the proceeds of the real estate loan commitment on a completed store location.

Depreciation charges for the year were \$629,992, an increase of \$70,999 over the preceding year. Of this total \$139,771 represents the depreciation of our real estate subsidiaries.

Quarterly dividends totalling \$1.00 per share and a 5% stock dividend were paid during the year.

The growth in sales during the year represents an increase in the sales of existing stores as well as the added volume of new stores. The percentage increase in tonnage handled by Stop & Shop was greater than the dollar percentage increase, inasmuch as the government food price index averaged about 2% lower than last year, due principally to lower prices on beef and produce.

Nine markets, one of which was subsequently closed, located in central and northern Massachusetts, were acquired by purchase last September from Brockelman Brothers, Inc. The task of integrating these units into the Stop & Shop organization represented a major undertaking. Three of these stores were completely remodelled and modernized to Stop & Shop standards in the last quarter, and substantial work has been done in the others to obtain needed operating economies. Even though the non-recurring costs involved in the acquisition and consolidation of these stores caused them to operate at a loss initially, we were able to convert this substantial addition to our business into profitable volume by the last quarter of this fiscal year.

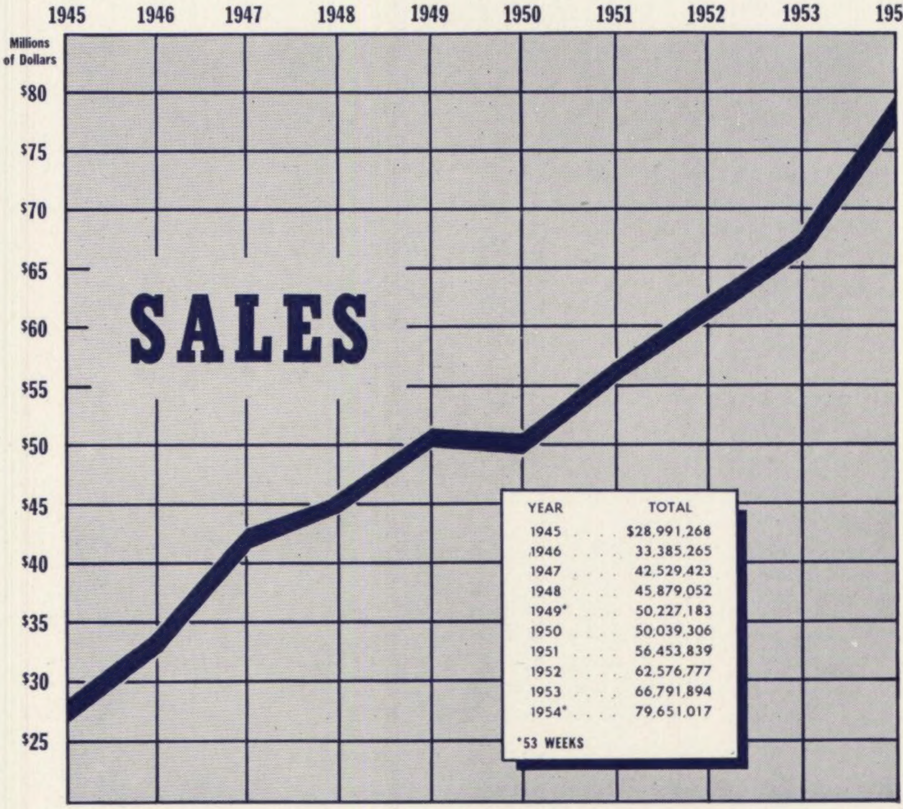
Three large new supermarkets, one of which represented a relocation, each with a large parking area, were opened during the fiscal year, and another was opened just after the close of the year. Four older markets were closed. A major remodelling was completed in one store and minor changes in layout and equipment were made in several others. All the new stores are air-conditioned and installations have also been made in several additional stores. Twenty-nine stores, representing 60% of our volume, are now air-conditioned.

At the year's end, we had 96 stores in operation, represented by

79 self-service markets
8 self-service grocery stores
5 service markets
4 bakery stores

Sixty-five stores now have an annual volume in excess of \$500,000 and the average volume of the stores in this group is about \$1,200,000, representing approximately 90% of the overall company volume.

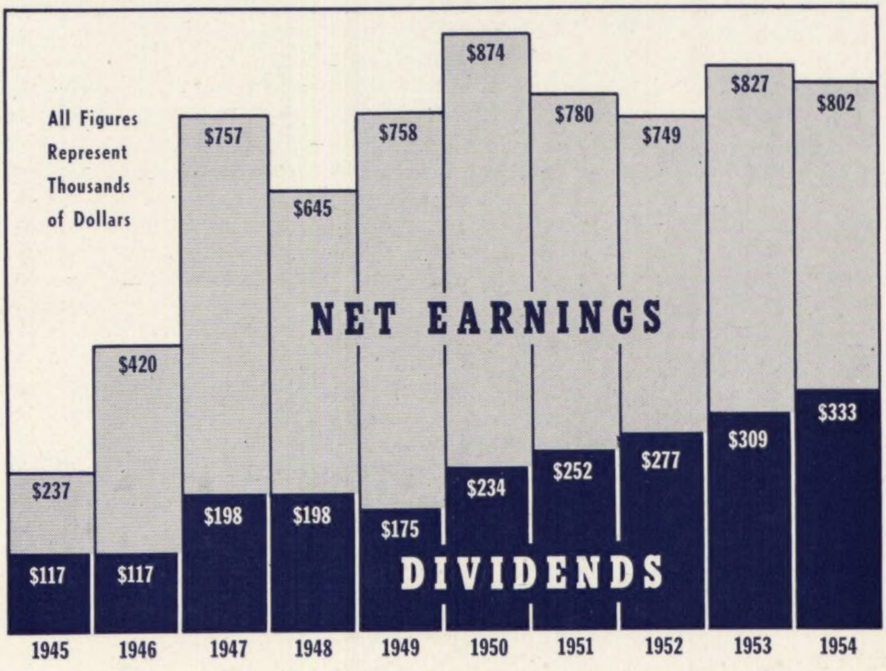
The addition of these new stores has provided a substantial increase in the production volume of our bakery. The baking formerly done on the premises at three Brockelman stores has been discontinued and all baking is now per-



YEAR	TOTAL
1945	$28,991,268
1946	33,385,265
1947	42,529,423
1948	45,879,052
1949*	50,227,183
1950	50,039,306
1951	56,453,839
1952	62,576,777
1953	66,791,894
1954*	79,651,017

*53 WEEKS

10 YEAR RECORD OF EARNINGS AND DIVIDENDS



formed at our central bakery. Retail bakery operations are rapidly being converted from service to self-service, and the bakery is now equipped to prepackage all of our requirements. Changes have been made in the equipment and layout at the plant to increase its operating efficiency.

Our real estate subsidiaries constructed the three new markets opened during the year and the one completed since the close of the year. Construction is underway at two locations and is about to start at a third. Plans are being drawn for new stores at other sites already acquired and negotiations are underway for additional locations.

The trend of new stores is towards larger volume units with more sales area and ample parking. These stores are designed to offer customers greater ease and convenience in shopping and require a larger investment for display equipment, storage facilities and material handling equipment. This larger investment in an expanding business is not confined to capital assets alone, but also requires a substantial initial and non-recurring expense cost for each new and remodelled store. This additional expense represents such items as the cost of hiring and training new employees, pre-opening setup payrolls, initial shipments of supplies and the special promotions required for each new location until it becomes firmly established.

Our real estate subsidiary has started construction of a new perishable warehouse, containing approximately 100,000 square feet, located across the street from our general office and warehouse. This building will be completed next spring and the present space now occupied by our perishable departments will then be available for a much needed addition to our grocery warehouse.

There has been a constant increase in the cost of doing business in the face of a lower price level of the food we sell. Wage rates moved upward again this year along with the costs of supplies, transportation and many other services that we buy. To offset these conditions, we are devoting our efforts to improved cost control, better methods of material handling, aggressive merchandising and an expanding new store program. Earnings for the last quarter of the fiscal year were above the level of the year before and indicate the ability of our organization to meet this problem.

With the growth of our company, the Stop & Shop family too has grown, and now numbers about 3,200 men and women. Our employees and their families value highly the expansion in employee benefit plans that have taken place over the recent years. Employees of fifteen years service now enjoy a three week paid vacation. Company contributions help to provide Blue Cross hospitalization, Blue Shield surgical reimbursement, a weekly indemnity in the event of accident and sickness, as well as $10,867,000 in life insurance for 1,894 full-time employees. Our retirement plan, now in its tenth year, presently covering 775 full-time employees with over five years of service, required a company contribution of $127,692 for the year.

The current forecast is that consumer purchasing power will remain at a high level, that crops of all principal food items will be in plentiful supply at reasonably steady prices, and that our business for the coming year should be good.

With the continued splendid cooperation and loyal efforts of the men and women who make up the Stop & Shop family, we are confident that our company will continue to grow and prosper in the years ahead.

Respectfully submitted,

Joseph Rabinovitz
President

STOP & S

Consolidated Balance S

(Including wholly-owne

Assets

CURRENT ASSETS:			
Cash on hand and in banks		$3,258,899.90	
$500,000.00 U. S. Treasury 90 day bills less unearned discount		499,250.00	
Accounts Receivable:			
Due from trade debtors, including recharges to manufacturers, municipal relief agencies, and sundry claims less reserve	$368,733.85		
Due from employees	3,697.61	372,431.46	
Inventories:			
Physical inventories evaluated at average invoice cost or lower than cost, reflecting market prices, located in the company's warehouses, in storage, in stores, in transit and in vendors' premises		5,652,432.09	
Total Current Assets			$9,783,013.45
Officers' life insurance at cash surrender value			148,813.25
INVESTMENTS OF WHOLLY-OWNED AFFILIATES:			
In real estate owned in fee simple at cost (See Note 1)		$7,909,378.08	
Less — Reserve for depreciation of buildings		831,217.14	7,078,160.94
FIXED ASSETS (at cost):			
Real estate land and buildings		$ 164,980.07	
Store equipment, fixtures, etc.		3,805,871.83	
Warehouse and office equipment, fixtures, etc.		346,262.16	
Manufacturing machinery and equipment		1,217,082.30	
Automobiles and trucks		64,106.91	
Total		$5,598,303.27	
Less — Reserves for depreciation		2,357,435.38	3,240,867.89
DEFERRED CHARGES TO OPERATIONS:			
Unexpired insurance policy premiums at unearned values		$ 84,699.99	
Unamortized costs of rehabilitation of store locations, (See Note 2)		1,191,295.34	
Construction, maintenance and store supplies		70,567.03	
Unamortized expense on company long term debt		1,849.61	
Prepaid rentals, etc.		19,659.84	1,368,071.81
			$21,618,927.34

See page seven for notes re

HOP, INC.

heet . . . July 3, 1954

d affiliated companies)

Liabilities

CURRENT LIABILITIES:			
Accounts payable — trade creditors on open account		$3,110,250.09	
Current amortization payments on real estate mortgages of wholly-owned affiliates		413,517.26	
Accrued Accounts:			
Federal income taxes (estimated)	$536,199.26		
Commonwealth of Massachusetts income, excise and other state and municipal taxes	234,297.05		
Social Security and unemployment insurance — federal and state contributions	90,703.22		
Other accrued items including pay roll, rent, interest and employee profit sharing and bonuses	233,996.46	1,095,195.99	
Total Current Liabilities			$ 4,618,963.34
3⅛% PROMISSORY NOTE due January 1, 1966 (See Note 3)			1,500,000.00
3¾% PROMISSORY NOTE due January 1, 1966 (See Note 3)			1,000,000.00
Purchase money obligations of wholly-owned affiliates under mortgages on real estate to be amortized by monthly and quarterly payments (See Note 4)			5,591,759.85
CAPITAL:			
Authorized 500,000 shares of $1.00 par value capital stock of which 341,464 shares are issued and outstanding (See Note 5)		$ 341,464.00	
Capital Surplus (See Note 5)		3,618,566.00	
Surplus reserve for future inventory devaluation and relocation of plant facilities		200,000.00	
Surplus		4,748,174.15	8,908,204.15
			$21,618,927.34

erred to in above statement

STOP & SHOP, INC.

Consolidated Profit and Loss Statement

(Including wholly-owned affiliated companies)

	Fiscal Year (53 Weeks) Ended July 3, 1954	*Fiscal Year Ended June 27, 1953*	*Increase*
SALES (at retail)	$79,651,017.41	$66,791,894.90	$12,859,122.51
Less — Cost of sales and operations	77,988,019.92	65,012,862.75	12,975,157.17
	$ 1,662,997.49	$ 1,779,032.15	$ 116,034.66*
ADD OTHER INCOME:			
Cash discounts on purchases, interest income, etc.	512,669.16	406,170.69	106,498.47
Profit on sale of capital assets	14,603.82	*11,637.17*	26,240.99
Profit before deducting depreciation, interest and federal income taxes	$ 2,190,270.47	$ 2,173,565.67	$ 16,704.80
DEDUCT:			
Depreciation of buildings, equipment, trucks and automobiles (See Note 6)	$ 629,992.58	$ 558,993.20	$ 70,999.38
Interest on unsecured term loans	85,974.19	85,188.50	785.69
Total	$ 715,966.77	$ 644,181.70	$ 71,785.07
Net profit before deducting federal income taxes	$ 1,474,303.70	$ 1,529,383.97	$ 55,080.27*
Less — Federal income taxes (estimated)	672,269.73	702,446.56	30,176.83*
NET PROFIT TO SURPLUS	$ 802,033.97	$ 826,937.41	$ 24,903.44*

**Decrease*

Consolidated Surplus Statement

Fiscal Year (53 Weeks) Ended July 3, 1954

BALANCE, June 27, 1953		$ 4,718,493.43
Add — Net profit for the fiscal year (53 weeks) ended July 3, 1954		802,033.97
		$ 5,520,527.40
Deduct:		
Cash dividends paid — $.50 a share on 325,204 shares outstanding	$ 162,601.50	
Cash dividends paid — $.50 a share on 341,464 shares outstanding	170,731.75	
Total		333,333.25
		$ 5,187,194.15
Deduct — 5% capital stock dividend		439,020.00
BALANCE, July 3, 1954		$ 4,748,174.15

STOP & SHOP, INC.

Notes Relating to Financial Statements

July 3, 1954

NOTE 1. Cost of land and buildings of various locations acquired by parent's wholly-owned affiliates and leased to it for sundry terms running to 15 years.

NOTE. 2 The amortization of store rehabilitation costs is spread over the life of each lease affected.

NOTE 3. The note for $1,500,000.00 bearing interest at the rate of 3⅛% per annum is dated January 1, 1951 and the note of $1,000,000.00 bearing interest at the rate of 3¾% per annum is dated May 8, 1951. Payments on account of principal of these notes are required at the rate of $136,000.00 and $90,000.00 respectively beginning with January 1, 1956 and on January 1st of each subsequent year.

NOTE 4. Term loans with sundry maturities to 15 years and not assumed by either the parent or its affiliates, are, nevertheless, secured by mortgages and assignment of leases running from the parent to its affiliates.

NOTE 5. The Capital Surplus was increased during the year by $422,760.00 and capital stock by $16,260.00 resulting from a 5% capital stock dividend paid on February 15, 1954.

NOTE 6. The same rates of depreciation were applied to the cost valuation of the depreciable property as were applied in the previous year. The depreciation charge of real estate buildings owned by wholly-owned real estate affiliates amounted to $139,771.48, as compared with $105,725.55 for the preceding year.

Accountants' Certificate

We have made an examination of the books and accounts of Stop & Shop, Inc., including its wholly-owned affiliates, for the fiscal year (53 weeks) ended July 3, 1954. In accordance with generally accepted auditing standards applicable in the circumstances, omitting no procedure inherent therein, this examination consisted of a detailed audit of such transactions that we believed to be important, that were effected during the fiscal year above stated, but did not include a detailed audit of all transactions. We have verified by outside confirmation such of the balance sheet items we deemed appropriate and necessary; and we are of the opinion, by reason of our familiarity with the controls and accounting records of the companies, and having applied necessary auditing procedures, that those items not verified in this way are correctly stated.

In our opinion, based upon such examination, the attached financial statements and their relative notes attached hereto fairly present, in accordance with generally accepted principles of accounting applied on a basis consistent with previous years, the financial position of the companies at July 3, 1954 and earnings for the fiscal year (53 weeks) ended with that date.

MYRON HELLER & COMPANY
Certified Public Accountants

By: Myron Heller, C. P. A.

Boston, Massachusetts
August 17, 1954